



# Japan-U.S. Relations: Issues for Congress

**Emma Chanlett-Avery, Coordinator**

Specialist in Asian Affairs

**William H. Cooper**

Specialist in International Trade and Finance

**Mark E. Manyin**

Specialist in Asian Affairs

**Weston S. Konishi**

Analyst in Asian Affairs

September 2, 2009

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

RL33436

**CRS Report for Congress**

*Prepared for Members and Committees of Congress*

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>02 SEP 2009</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2009 to 00-00-2009</b>	
4. TITLE AND SUBTITLE <b>Japan-U.S. Relations: Issues for Congress</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Congressional Research Service, Library of Congress, 101 Independence Ave., SE, Washington, DC, 20540-7500</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>27</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## Summary

The post-World War II U.S.-Japan alliance has long been an anchor of the U.S. security role in East Asia. The alliance, with its access to bases in Japan, where about 53,000 U.S. troops are stationed, facilitates the forward deployment of U.S. military forces in the Asia-Pacific, thereby undergirding U.S. national security strategy. For Japan, the alliance and the U.S. nuclear umbrella provide maneuvering room in dealing with its neighbors, particularly China and North Korea.

During the Bush Administration, the alliance initially made significant strides in broadening U.S.-Japan strategic cooperation and encouraging Japan to assume a more active international role. Following the September 11, 2001 terrorist attacks, Japan made its first-ever military deployments in non-combat support of U.S. and allied forces in Afghanistan. In 2004 Tokyo sent non-combat troops to Iraq, despite considerable domestic opposition. In 2005 the United States and Japan announced a sweeping new agreement to strengthen military cooperation. The plan calls for U.S. forces to be realigned and Japan to take on a more active (non-combat) role in maintaining regional and global security. Since mid-2007, political turmoil and divided government in Tokyo slowed or stalled some of this progress in security relations.

It remains to be seen to what extent U.S.-Japan relations will be affected by the Democratic Party of Japan's (DPJ) landslide victory in August 30, 2009 elections for the Lower House of Japan's legislature. The victory will give the DPJ, under party president Yukio Hatoyama, control of the government. While most members of the left-of-center DPJ are broadly supportive of the U.S.-Japan alliance and the general thrust of Japanese foreign policy, in the past the party has questioned and/or voted against several features of the alliance, including base realignment, Japan's financial payments for U.S. forces stationed in Japan, and Japan's naval deployments to support the war in Afghanistan. The DPJ's victory appears to mark the end of an era in Japan; it was the first time Japan's Liberal Democratic Party (LDP) was voted out of office. The LDP and its predecessors ruled Japan for virtually all of the post-World War II period.

Japan is one of the United States's most important economic partners. Outside of North America, it is the United States' second-largest export market and second-largest source of imports. Japanese firms are the United States' second-largest source of foreign direct investment, and Japanese investors are the second largest foreign holders of U.S. treasuries, helping to finance the U.S. deficit and reduce upward pressure on U.S. interest rates. Bilateral trade friction has decreased in recent years, partly because U.S. concern about the trade deficit with Japan has been replaced by concern about a much larger deficit with China. The exception was U.S. criticism over Japan's decision in 2003 to ban imports of U.S. beef, which have since resumed.

However, the economic problems in Japan and United States associated with the credit crisis and the related economic recession and how the two countries deal with those problems will likely dominate their bilateral economic agenda for the foreseeable future. In 2008, Japan's economy contracted 0.7%, having declined 3.8% alone in the final quarter of 2008. The contraction has accelerated in 2009, as Japan's gross domestic product (GDP) declined 4.0% in the first quarter. Japan is experiencing its steepest recession since the end of World War II. Japan is also experiencing its highest unemployment rate in three years. This trend will likely curtail Japanese demand for imports. In addition, the value of the yen has hit 13-year highs in terms of the U.S. dollar, which has adversely affected Japanese exports to the United States and other countries, contributing to the downturn in Japanese economic growth. The United States is the midst of a recession that will also likely affect trade flows in both directions.

## Contents

Recent Developments.....	1
The DPJ's Landslide Victory—the End of an Era?.....	1
North Korean Nuclear Test and Missile Launches.....	1
The Global Financial Crisis and Economic Downturn .....	2
The Role of Congress in U.S.-Japan Relations .....	3
Major Diplomatic and Security Issues .....	5
Global Issues .....	5
Support for U.S. Policy Toward Iraq and Afghanistan.....	5
North Korea and the Six-Party Talks .....	6
United Nations Security Council Reform.....	7
Kyoto Protocol and Climate Change Negotiations .....	7
Regional and Historical Issues.....	7
China .....	8
South Korea .....	9
Military Issues .....	9
Agreements to Deepen Cooperation .....	9
Loss of Momentum in 2007-2008.....	10
New International Security Partnerships .....	11
Article 9 Restrictions .....	11
U.S. Bases on Okinawa.....	11
Burden-Sharing Issues .....	12
Cooperation on Missile Defense.....	12
Economic Issues .....	13
Overview of the Bilateral Economic Relationship.....	14
Bilateral Trade Issues .....	15
Japan's Ban on U.S. Beef .....	15
U.S.-Japan FTA.....	15
Insurance .....	16
The Byrd Amendment .....	17
WTO Dispute.....	17
The Doha Development Agenda.....	17
Japanese Politics .....	18
Background—The Structural Debilities of Japan's Political System.....	18
The Situation Prior to the August 30, 2009 Election.....	18
Political Turmoil Continues as Elections Are Scheduled .....	18
The Democratic Party of Japan (DPJ).....	19
Possible Election Scenarios .....	20
Constitutional Revision .....	20
Japan's Demographic Challenge.....	21
Selected Legislation .....	21
111 <sup>th</sup> Congress.....	21
110 <sup>th</sup> Congress .....	22

## **Figures**

Figure 1. Map of Japan.....	3
Figure 2. Map of Military Facilities in Japan .....	13

## **Tables**

Table 1. U.S. Trade with Japan, Selected Years .....	14
--	----

## **Contacts**

Author Contact Information .....	23
----------------------------------	----

## Recent Developments

### The DPJ's Landslide Victory—the End of an Era?

In a historic landslide victory, Japan's largest opposition party, the Democratic Party of Japan (DPJ), ousted the main ruling party, the Liberal Democratic Party (LDP), in parliamentary elections on August 30, 2009. The right-leaning LDP and its predecessor parties have had almost continuous control of the Japanese government since the end of World War II. The decisive victory over the LDP in the elections for Japan's Lower House now makes the DPJ Japan's main ruling party for the first time in history. The Diet (Japan's parliament) is expected to elect Hatoyama as Japan's new prime minister in a special session in mid-September. Since 2007, the DPJ has controlled the less powerful Upper House of the Diet, via a coalition with two smaller parties. For more on the election, see CRS Report R40758, *The Democratic Party of Japan: Its Foreign Policy Position and Implications for U.S. Interests*, by Weston S. Konishi.

The DPJ policy platform advocates sweeping economic and administrative reforms and has called for a "proactive" foreign policy with greater "independence" from the United States through deeper engagement with Asia and a more United Nations-oriented diplomacy. In particular, the party has in the past criticized many issues related to the U.S.-Japan alliance, such as plans to realign U.S. forward deployed forces based in Okinawa, Japan's Host Nation Support (HNS) payments, and the bilateral Status of Forces Agreement (SOFA). In 2007, the DPJ briefly blocked legislation allowing the Japan Maritime Self-Defense Force (JMSDF) to continue the refueling of U.S. and allied vessels engaged in Operation Enduring Freedom (OEF) in Afghanistan. For the United States, the most significant of these issues would be the HNS and base realignment plans.

It is not clear how much DPJ stances to these initiatives were tactically driven to create obstacles for the LDP, or how some DPJ positions might soften now that it is the main ruling party. Indeed, throughout July and August 2009, the party moderated and softened some of the more contentious positions it had previously taken on security issues, presumably in order to deflect LDP criticism that it was not prepared to run the country. However, the DPJ continues to send conflicting signals about its intentions regarding key aspects of the U.S.-Japan relationship.

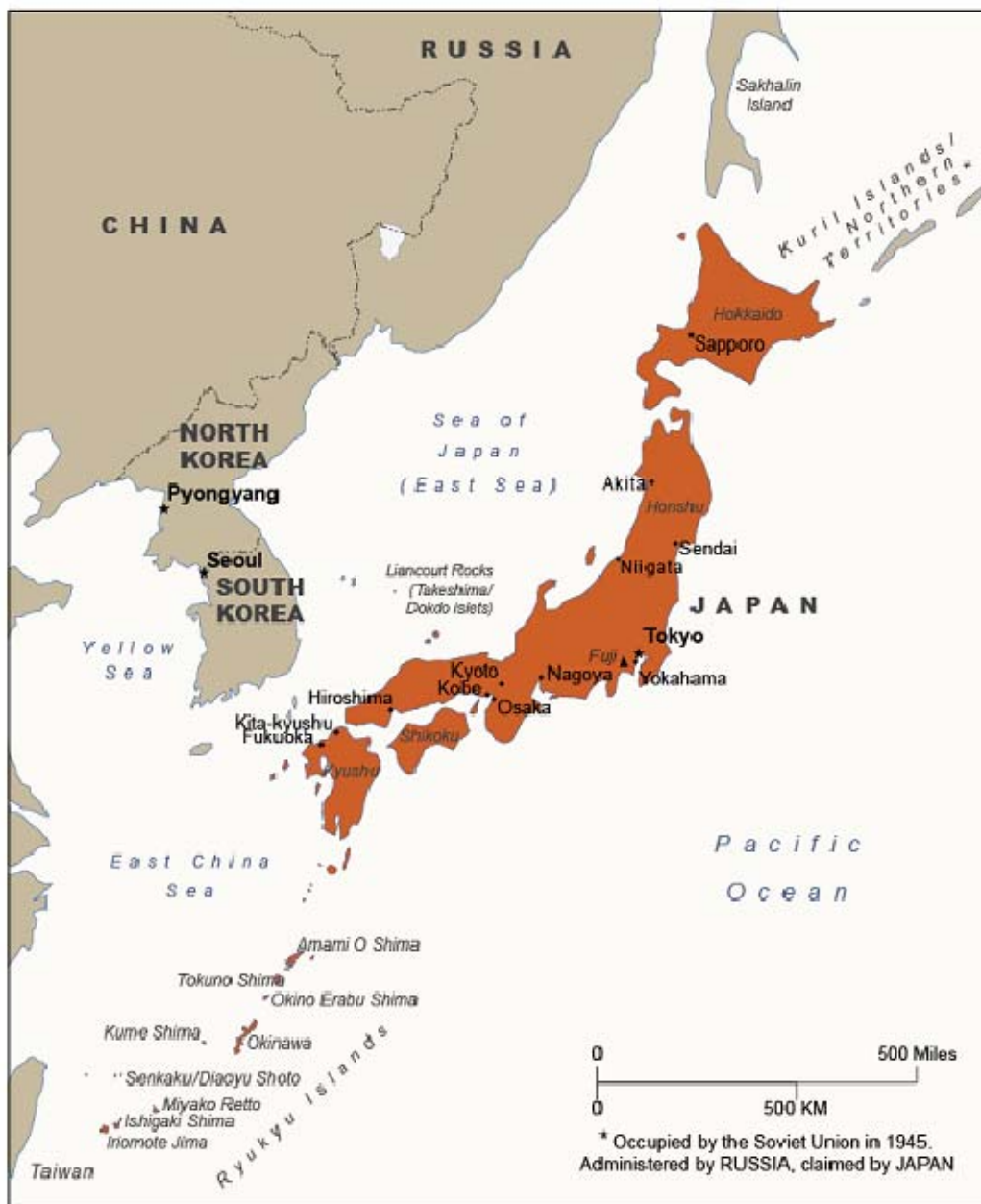
### North Korean Nuclear Test and Missile Launches

North Korea's nuclear test in May and long-range missile launch in April re-ignited Japanese security fears about the capabilities and intentions of the regime in Pyongyang. In the wake of the tests, Japan has been actively engaged in working with the United Nations Security Council (UNSC) to craft a robust response to the provocation. Tokyo also has threatened to add to its already stringent suite of sanctions, potentially imposing a full embargo. Regardless of how the UNSC ultimately responds, the launch is likely to reinforce a trend of beefing up national defense, particularly the joint U.S.-Japan missile defense system. In another indication of how North Korean actions are affecting Japan's security consciousness, a parliamentary subcommittee composed of ruling party officials has proposed that Japan consider developing an attack capability. In addition, the United States, South Korea, and Japan held their first-ever trilateral defense ministerial on the sidelines of a regional security conference in Singapore to coordinate responses to the series of provocations.

## **The Global Financial Crisis and Economic Downturn**

The U.S. and Japanese economic agendas are likely to be dominated by the efforts of the two countries to resolve the financial crisis and the sharpest recessions each has seen since the end of World War II. Both countries have taken steps to ease credit conditions in their respective economies and to boost domestic demand through stimulus packages. The United States and Japan each pushed the other members of the G-20 to increase government spending at the April 2009 G-20 summit in London. A bilateral issue will be how each country can stimulate employment and other domestic economic activity while maintaining their obligations not to erect new barriers to trade and investment.

Figure 1. Map of Japan



Source: Map Resources. Adapted by CRS.

## The Role of Congress in U.S.-Japan Relations

Congressional powers, actions, and oversight form a backdrop against which both the Administration and the Japanese government must formulate their policies. In the 111<sup>th</sup> Congress, it is unlikely that Members' attention to Japan will increase significantly, although some Members showed interest in the 109<sup>th</sup> and 110<sup>th</sup> Congresses. In the 109<sup>th</sup>, Congress held four hearings on Japan in 2005-2006, after holding only two Japan-specific public hearings from 2001 through 2004. Members of Congress were particularly critical of Japan's two-year ban on imports of U.S.



beef and of the Bush Administration's handling of the beef dispute. On security issues, members expressed concern that steps taken by the Japanese government are harming U.S. interests in East Asia by worsening Sino-Japanese and South Korean-Japanese relations. Former Chairman of the House International Relations Committee Henry Hyde suggested in an April 2006 letter to Speaker Dennis Hastert that Prime Minister Koizumi should not address a joint session of Congress unless he pledged to stop visiting Yasukuni Shrine, which enshrines the names of several Class A war criminals from World War II, and convened a hearing on Japan's "history problem" in September 2006.

The "comfort women" controversy in the 110<sup>th</sup> Congress reignited congressional concern about revisionist views of history in Japan. In September 2007, the House passed H.Res. 121, calling on the government of Japan to "formally acknowledge, apologize, and accept historical responsibility in a clear and unequivocal manner" for its treatment of women forced to serve as prostitutes for the Japanese military during its colonization and occupation of Asia in the 1930s and 1940s. The resolution passed by voice vote and attracted 167 co-sponsors, reportedly driven in part by a June 2007 *Washington Post* advertisement signed by several Japanese legislators and academics rejecting the historical basis of the resolution. A few days later, the House also passed H.Res. 508, which praised the U.S.-Japan alliance and Japan's contributions to the effort against international terrorism. The bill was seen as an attempt to blunt the negative diplomatic impact of the former resolution. The question of historical truth and memory has emerged as a prominent theme in congressional relations with Japan. (See the "Selected Legislation" section.)

## Major Diplomatic and Security Issues<sup>1</sup>

Two high-level bilateral meetings between senior officials in Tokyo and Washington in February 2009, early in the Obama Administration, provided a symbolic yet reassuring boost to the relationship amid concerns about some drift in the alliance. Secretary of State Hillary Clinton chose to make Japan her first official foreign visit, followed by embattled Prime Minister Taro Aso's reception as President Obama's first foreign guest in the White House. Both Clinton and Obama reaffirmed the axiom that the U.S.-Japan alliance is "the cornerstone of U.S. Asia-Pacific strategy." In June 2009, Japan worked closely with the United States to pass U.N. Security Council Resolution 1874, authorizing strict new sanctions against North Korea in response to the regime's May 25 nuclear test.

### Global Issues

#### Support for U.S. Policy Toward Iraq and Afghanistan

Following the terrorist attacks of September 11, 2001, the government of former Prime Minister Junichiro Koizumi initiated a series of unprecedented measures to protect American facilities in Japan and provide non-lethal, "rear area" logistical support to U.S. military operations against Al Qaeda and the Taliban in Afghanistan. The latter mainly took the form of at-sea replenishment of fuel oil and water to U.S., British, French, and other allied warships operating in the Indian Ocean. The dispatch of Japan's Maritime Self-Defense Forces (MSDF) was the first such deployment since World War II.

While strongly preferring a clear United Nations role in resolving the U.S./British confrontation with Iraq, Japan nonetheless gave almost unqualified support to the Bush Administration's position. During an open debate in the U.N. Security Council, Japan was one of only two out of 27 participating countries (the other being Australia) to support the U.S. contention that even if the U.N. inspections were strengthened and expanded, they were unlikely to lead to the elimination of Iraq's weapons of mass destruction. Since 2003, Japan has provided \$1.5 billion in grant assistance to Iraq, has pledged to provide \$3.5 billion in yen loans, and has agreed to a phased cancellation of 80% of the approximately \$7.5 billion in debt Iraq owed Japan. In addition, in January 2004, the Koizumi government deployed about 600 military personnel—mainly ground troops—to carry out humanitarian aid and reconstruction activities in Iraq. The ground troops were withdrawn from the southern area of Samawah in June-July 2006, but the air service of the Self-Defense Forces (the official name of Japan's military) remained. The Lower House of the Diet approved a two-year extension of the air force transport mission in May 2007,

#### Japan Country Data

**Population:** 127.4 million (July 2006 est.)

**% of Population over 64:** 21% (U.S. = 12.4%) (2007)

**Area:** 377,835 sq km (slightly smaller than California)

**Life Expectancy:** 82 years (2007 est.)

**Per Capita GDP:** \$33,800 (2007 est.) purchasing power parity

**Primary Export Partners:** US 22.8%, China 14.3%, South Korea 7.8%, Taiwan 6.8% (2006)

**Primary Import Partners:** China 20.5%, U.S. 12%, Saudi Arabia 6.4%, UAE 5.5%, Australia 4.8%, South Korea 4.7% (2006)

**Yen:Dollar Exchange Rate:** 117.99 (2007), 116.18 (2006), 110.2 (2005), 108.2 (2004), 115.9 (2003), 125.4 (2002)

**Foreign Exchange Reserves:** \$881 billion (2006 est.)

**Source:** CIA *World Factbook*, February 2008

<sup>1</sup> This section was written by Emma Chanlett-Avery.

but subsequently Japan ended its participation in Iraq in late 2008 as U.N. authorization for multinational forces in Iraq expired.

In Afghanistan, Japan has dispatched refueling vessels that provide about 30% of the fuel used by U.S. and allied warships. After a suspension due to political opposition in 2007, the refueling mission has been renewed and will continue through at least January 2010. Japan has also sent a civilian assistance team to assist in reconstruction efforts. Although the dispatch of troops has been considered, Japan faces resistance from its public to send its military overseas as well as considerable restrictions in its rules of engagement due to its pacifist constitution. Japan has pledged a total \$2 billion of assistance for Afghanistan to contribute to security efforts, the promotion of the political process and reconciliation, and economic and human resource development.

### **North Korea and the Six-Party Talks**

As the Obama Administration's North Korea policy forms, Japan has watched closely for signs of any shift. President Obama and Secretary Clinton strongly condemned the 2009 nuclear device and missile tests by North Korea and called for coordinated UNSC action, similar to Japan's reaction. However, Japan continues to hold the hardest position in the negotiations and is wary that its concerns will not be given enough weight in the overall talks.

As the Bush Administration moved aggressively to reach a deal on denuclearization with North Korea in the Six-Party Talks, distance emerged between Washington and Tokyo. Former Prime Minister Abe rose to prominence based on his hardline position on Pyongyang's responsibility to disclose the fate and/or whereabouts of several Japanese citizens abducted by North Korean agents in the 1970s and 1980s.<sup>2</sup> Japan pledged that it would not provide economic aid to North Korea without resolution of the abductees' issue. The abductee issue remains an emotional topic in Japan, and the opposition party has not taken a substantially different position from the LDP. Although some Japanese officials and media figures privately acknowledge that Japan may need to compromise in order to remain relevant in the ongoing talks, the political potency and widespread anger surrounding the abductees make it difficult for leaders to adopt a softer position.

Before the United States announced its plans to remove North Korea from the list of state sponsors of terrorism in June 2008 in exchange for North Korean concessions on its nuclear program, Japanese officials had expressed alarm about the anticipated removal. In the past, U.S. leaders linked North Korea's inclusion on the list to the abduction issue, although State Department officials reportedly claimed that the issue was not a legal obstacle for removal. In December 2007, the Committee on Abduction of Japanese Citizens by North Korea of the Lower House adopted a resolution urging the United States to refrain from "de-listing" North Korea. Although conservative groups in Japan have protested the move, the overall reaction has been somewhat muted. Tokyo officials maintain that U.S. and Japanese goals remain the same.

Until the shift toward negotiation in Washington, Japan's policy toward North Korea aligned closely with the U.S. position in the Six-Party Talks. Japan has insisted on North Korea abandoning its nuclear weapons, has taken steps to squeeze North Korea economically, and

---

<sup>2</sup> For more information, see CRS Report RS22845, *North Korea's Abduction of Japanese Citizens and the Six-Party Talks*, by Emma Chanlett-Avery.

participates in the U.S.-led Proliferation Security Initiative (PSI). After North Korea test-fired several missiles in July 2006 and tested a nuclear device in October 2006, Japan strongly supported punitive United Nations Security Council resolutions that condemned the actions and called for trade restrictions. In addition, Japan imposed unilateral sanctions more stringent than the UNSC resolutions, including a ban on all North Korean ships in Japanese ports, restrictions on imports and on most North Koreans entering Japan, and a freeze on bank remittances to North Korea from the ethnic Korean community in Japan. In response to North Korea's nuclear test on May 25, 2009, Japan helped lead international efforts to draft a tough new U.N. Security Council resolution (1874) that strengthens arms embargos on the regime and calls on member states to inspect North Korean vessels for illicit weapons.

### **United Nations Security Council Reform**

In 2004, Japan accelerated its longstanding efforts to become a permanent member of the United Nations Security Council by forming a coalition with Germany, India, and Brazil (the so-called "G-4") to achieve non-veto membership for all four countries. Though the Bush Administration backed Japan's bid, it did not support the G-4 proposal and opposed taking a vote on expanding the Security Council until a "broader consensus" on reforming the entire organization can be reached. To become a member, Japan must obtain support from two-thirds (128 countries) of all U.N. member countries. Japan is the second-largest contributor to the U.N. regular budget, paying 22% of the total, more than twice the percentage paid by the third-largest contributor. Efforts to gain membership appear to have stalled in the past few years, but Japanese officials have voiced optimism that the Obama Administration will take a positive stance on advancing U.N. reform, including potentially expanding the membership of the Security Council. To date, the Obama Administration has not issued a statement regarding Japan's permanent membership on the U.N. Security Council.

### **Kyoto Protocol and Climate Change Negotiations**

Tokyo has sought to highlight Japan's leadership on environmental issues, where Japan has long been recognized as a global leader in increasing energy efficiency and development of green energy technology, including hybrid cars. At the 2008 G-8 summit in Hokkaido hosted by Japan, the forum agreed to work towards halving the amount of greenhouse gas emissions by 2050, marking the first time that the United States has signed on to such a goal. Japan is the fourth-leading producer of greenhouse gases after the United States, the Russian Federation, and China. Under the Kyoto Protocol, which Tokyo ratified in 2002, Japan is obligated to reduce its emissions to 6% below its 1990 levels by 2012, although it is unlikely to meet this goal. Japanese industry shares many of the concerns of U.S. industry about the cost and feasibility of the plan. A U.N. climate negotiations summit slated to be held in December 2009 in Copenhagen, Denmark, aims to find a replacement for the Kyoto Protocol, which will expire in 2012. Japan is considered to be a close ally of the Obama Administration in international climate negotiations.

### **Regional and Historical Issues**

Historical issues have long dominated Japan's relationships with its neighbors, with many Asians, and particularly those in China and South Korea, still resentful of Japan's occupation policies and aggression in the World War II period. Despite underlying distrust, Tokyo's relationships with Beijing and, until recently, Seoul appear to be on a solid upward trajectory. Part of this was due to former Prime Minister Fukuda's emphasis on developing friendly relations with Japan's

neighbors; his pledge not to visit the controversial Yasukuni Shrine was perhaps the most significant in terms of improving the diplomatic atmosphere. (The Shinto shrine honors Japanese soldiers who died in war, including 14 war criminals who were convicted by the International Military Tribunal for the Far East following Japan's defeat in World War II.) Despite his reputation as a nationalist conservative, Aso appears to have followed the same course. This is in marked contrast to the period under former Prime Minister Koizumi (2001-2006), when relations with China and South Korea suffered, largely because of Koizumi's annual visits to the site.

Despite some progress, however, reminders of Japan's imperial past continue to emerge. In October 2008, it was revealed that Toshio Tamogami, the head of Japan's Air Self Defense Forces, won an essay contest with a piece that glorified Japan's conquests of Asia and denied any wrongdoing on the part of Japan's military. Aso moved quickly to terminate his position, but the episode reinforced the perception that such revisionist views remain within Japan's security establishment. Aso also faced criticism for denying that his family's mining company employed Allied prisoners during World War II, a charge that was later confirmed by the release of government documents.

## **China**

In concert with the leadership in Beijing, which has been keen to shore up its foreign relations before the 2008 Summer Olympics, both Abe and Fukuda substantially warmed Sino-Japanese ties, and Aso appears to be following their lead. Although analysts emphasize that geopolitical rivalry between China and Japan is likely to endure, the short-term outlook is positive. The past year has seen several notable accomplishments, including successful reciprocal visits by heads of state and a breakthrough agreement to jointly develop gas fields in the East China Sea, the site of long-standing territorial disputes. Driven by self-interest, both sides appear to have decided to put aside nationalist rivalries for now and focus on common concerns such as regional stability to further economic development and boost already robust trading relations.

Chinese President Hu Jintao's carefully orchestrated visit to Japan in May 2008 was the first by a Chinese leader to Japan in a decade. The warmth of the visit was in stark contrast to Jiang Zemin's 1998 visit—during which he criticized publicly Japanese officials for imperial Japan's war-time aggression—and the subsequent downturn in relations under former Prime Minister Junichiro Koizumi. Notably absent from the Chinese leader's statements was a call for Japan to apologize for historical grievances, and both sides emphasized a "forward-looking" friendship. The two leaders agreed to hold annual summits, cooperate on environmental technology, and enhance cultural exchanges. Days later, after China was struck by a devastating earthquake, Japan immediately offered condolences and pledged assistance. Sixty Japanese earthquake rescue experts then were dispatched to the hard-hit Sichuan province, the first foreign team that Beijing accepted.

The official reconciliation, however, may be challenged by sentiment among the Japanese public, some political groups, and the military. In early 2008, several packages of "gyoza" meat dumplings imported into Japan from China that contained a toxic pesticide sickened scores of people. Although Chinese and Japanese officials reportedly reacted quickly, the incident renewed long-standing concerns among the Japanese public about the safety and hygiene practices for Chinese products. Further, some conservative nationalist voices have criticized the government for being too "soft" on Beijing and practicing "kow-tow diplomacy." And despite official military-to-military contact in the form of reciprocal port calls, suspicion of Beijing's motives remains high among some military officials, who report periodic Chinese military activities

around Japan's territory, including the incursion of two Chinese ships around a set of disputed islands in December 2008.

## **South Korea**

The election of Lee Myung-bak as president of South Korea appeared at the outset to improve prospects for Seoul-Tokyo relations. After his election in December 2007, Lee indicated his desire to engage in more cooperation with Japan, in contrast to his predecessor Roh Moo-hyun, whose rhetoric against Japan many claimed precluded any meaningful engagement. Lee has said he would not emphasize history issues with Japan. However, in summer 2008 a long-standing dispute over the ownership of several small islands (known as Dokdo in Korean and Takeshima in Japanese) has flared anew after reports that Japan would refer to the islands as its territory in a handbook for teachers and textbook publishers. (The islands have been administered by South Korea since 1945.) This led South Korea to recall its ambassador to Japan and rebuke the Japanese ambassador in Seoul, as well as reject an offer for talks between the two foreign ministers at a regional forum in Singapore. Both capitals made some attempt to quell the controversy, and since then have made progress in stabilizing bilateral ties. Aso and Lee have held meetings every month on average since the beginning of 2009, including bilateral summit meetings in Seoul and in Tokyo.

## **Military Issues<sup>3</sup>**

Japan and the United States are military allies under a security treaty concluded in 1951 and revised in 1960. Under the treaty, Japan grants the United States military base rights on its territory in return for a U.S. pledge to protect Japan's security. In recent years Japan has edged closer to a more independent self-defense posture in both practice and in published security strategies. In December 2006, Japan's Defense Agency was formally upgraded to a ministry for the first time since World War II, giving the ministry more clout in budget and policy-making decisions.

## **Agreements to Deepen Cooperation**

Under the Bush Administration, a series of Security Consultative Committee meetings (SCC, also known as the "2+2" meeting) of the Japanese and U.S. foreign and defense ministers outlined plans to expand the alliance beyond its existing framework. As U.S. personnel and facilities in Japan are realigned as part of the broader Pentagon strategy of deploying a more streamlined and mobile force, Japan is slated to take a more active role in contributing to global stability, primarily through increased coordination with the U.S. military. Key features of the arrangement include a reduction in the number of U.S. Marines in Japan, the relocation of a problematic air base in Okinawa, the deployment of an X-Band radar system in Japan as part of a missile defense system, expanded bilateral cooperation in training and intelligence sharing, and Japan's acceptance of a nuclear-powered aircraft carrier in the Yokosuka Naval Base.

Implementation of the plan to relocate 8,000 Marines to Guam and to replace the controversial Futenma Marine Air Station in Okinawa remains slow. Many of the agreement's most

---

<sup>3</sup> For more information on the U.S.-Japan alliance, see CRS Report RL33740, *The Changing U.S.-Japan Alliance: Implications for U.S. Interests*, by Emma Chanlett-Avery and Weston S. Konishi.

controversial elements are likely to face continued obstacles, particularly from local Japanese politicians in the areas identified to host new facilities and troops. U.S. officials say Japan will pay an estimated \$26 billion overall for the realignment initiative. Some military officials in Japan are concerned that the high cost of the realignment could result in decreased Japanese capabilities because of budgetary restraints.

### **Loss of Momentum in 2007-2008**

Political shifts in Japan since 2006 appear to have slowed some of the increased cooperation in the U.S.-Japan alliance. Although ties remain strong fundamentally, the Bush Administration shift on North Korean nuclear negotiations, the July 2007 House resolution criticizing the Japanese government for past “comfort women” policies, and the apparent decision not to consider exporting the F-22 to Japan may have undermined to some degree Japanese confidence in the robustness of the alliance.<sup>4</sup> Koizumi and Abe’s platform of enhancing Japan’s role in global affairs had been encouraged by U.S. officials who saw Japan’s strategic interests aligning with their own. Implementation of the “2+2” agreements depends on Tokyo providing the necessary resources and political capital. The agreement signed by Hillary Clinton and her counterpart in February 2009 re-affirmed the timetable, but many obstacles remain. Because the realignment and transformation initiatives involve elements that are unpopular in the localities affected, successful implementation depends on leadership from the central government. If the ruling party continues to struggle to reestablish itself, details of the hard-fought agreements designed to sustain the alliance politically may falter.

A series of high-profile alleged crimes committed by U.S. military personnel in 2007-2008 sparked public anger about the troops’ presence in Japan. Four Marines were accused of gang-raping a 19-year old in Hiroshima, another marine was accused of sexually abusing a 14-year old in Okinawa, and a sailor was charged with murdering a taxi driver in Yokosuka. U.S. officials, mindful of fall-out from a similar incident in 1995, in which three U.S. servicemen were convicted of raping a 12-year-old, cooperated with local Japanese authorities by handing over the suspects and, in the first two cases, decided to court-martial the marines when Japanese prosecutors dropped charges. The officials also announced they would undertake a review of sexual harassment training procedures for U.S. military personnel.

During the political maneuvering that followed the July Upper House elections, Japanese support of the U.S.-led Operation Enduring Freedom (OEF) in Afghanistan emerged as a key issue of contention. Although re-fueling operations were eventually resumed, the opposition parties succeeded in allowing the “Anti-terrorism Special Measures Law” authorization to expire, creating a gap in MSDF participation. Japanese participation is limited to activities related to provision of fuel and water to coalition forces. The opposition took a similar tactic for the renewal of host nation support funding. (See “Burden-Sharing Issues” section below.)

---

<sup>4</sup> As of mid-July 2009, increased production of F-22 Raptors, including a measure to explore possible F-22 sales to Japan, appears in question. President Obama has threatened to veto any defense spending bill that includes additional funds for F-22 production. On July 21, 2009, the Senate passed an amendment to S. 1390, the FY2010 National Defense Authorization Act, that eliminates funding for additional F-22 aircraft production. The House version of the defense authorization bill (H.R. 2647), however, allocates \$369 million for additional F-22 parts. A final decision on F-22 spending will take place when the House-Senate conference completes the FY2010 defense spending bill later this year. For more information on the F-22 issue, see CRS Report RS22684, *Potential F-22 Raptor Export to Japan*, by Christopher Bolcom and Emma Chanlett-Avery.

## **New International Security Partnerships**

In early 2007, Japan signed a bilateral agreement with Australia that pledges cooperation on counterterrorism, maritime security, peace-keeping operations, and disaster relief. In October 2008, a similar pact was signed with India. The agreements, though short of a formal military alliances, may help to establish a framework of security cooperation among Japan, Australia, India, and the United States. Such partnerships give Japan opportunities to strengthen strategic ties with other democracies with similar political and economic freedoms. Continuing this trend, in September 2007 Japan joined a multinational naval exercise with the United States, Australia, Singapore, and India in the area west of the Malacca Straits. The exercise reinforced two interrelated trends in Asia-Pacific defense dynamics: the U.S.-led campaign of strengthening security ties among democratic allies and the strategic countering of Chinese military power. On the sidelines of the 2007 Asia Pacific Economic Cooperation (APEC) forum, Japan, Australia, and the United States held their first trilateral meeting.

## **Article 9 Restrictions**

In general, Japan's U.S.-drafted constitution remains an obstacle to closer U.S.-Japan defense cooperation because of a prevailing constitutional interpretation of Article 9 that forbids engaging in "collective self-defense"; that is, combat cooperation with the United States against a third country. Article 9 outlaws war as a "sovereign right" of Japan and prohibits "the right of belligerency." Whereas in the past Japanese public opinion strongly supported the limitations placed on the Self-Defense Force (SDF), this opposition has softened considerably in recent years. Abe had indicated his intention to amend some of these restrictions by reinterpreting the right of collective self-defense and, eventually, amending the constitution itself. (See "Constitutional Revision".) Since then, political will to advance the changes appears to have waned significantly. Since 1991, Japan has allowed the SDF to participate in non-combat roles in a number of United Nations peacekeeping missions and in the U.S.-led coalition in Iraq.

## **U.S. Bases on Okinawa**

The reduction of marines on Okinawa seeks to quell the political controversy that has surrounded the presence of U.S. forces on the island for years. In early 2008, the charge that a U.S. Marine sexually abused a young Japanese girl renewed public outcry against the bases that had existed since the 1995 rape of a Japanese schoolgirl by American servicemen. Though constituting less than 1% of Japan's land mass, Okinawa currently hosts 65% of the total U.S. forces in Japan. Okinawan politicians have called for a renegotiation of the Japan-U.S. Status of Forces Agreement (SOFA) and a reduction in U.S. troop strength. The U.S. and Japanese governments oppose revising the SOFA, but have acknowledged the political demand to alleviate the burden of military presence in Okinawa. As part of the realignment of U.S. bases, U.S. officials agreed to move most aircraft and crews constituting the marine air station at Futenma to expanded facilities at Camp Schwab, located in Nago, to a less-congested area of Okinawa. The agreement remains stalled, however, over a host of environmental, noise, and funding concerns. In addition to the Futenma agreement, the United States agreed to relocate the Okinawa-based III Marine Expeditionary Force (III MEF), which includes 8,000 U.S. personnel and their dependents, to new facilities in Guam. In return, Tokyo promised to pay \$6.09 billion of the \$10.27 billion estimated costs associated with the move.



## **Burden-Sharing Issues**

The United States has pressed Japan to increase its share of the costs of American troops and bases. According to Pentagon reports, Japan has over the years provided up to \$4 billion annually in direct and indirect Host Nation Support (HNS), which constitutes about 75% of the total cost of maintaining troops in Japan. In recent years, Japanese officials have reportedly suggested that HNS be reduced on grounds that Japan is now making a greater direct contribution to the alliance. Political divisions between the LDP-controlled Lower House and the DPJ-controlled Upper House in spring 2008 led to a delay in the implementation of a new agreement, which pledges to pay directly about 140 billion yen annually (about \$1.4 billion) through FY2010 to defray the costs of stationing troops in Japan. The Upper House rejected the bill, citing opposition to paying for “recreational” activities by the U.S. military, but the approval by the more powerful Lower House went into effect after a month’s delay. Japan pays for most of the salaries of about 25,000 Japanese employees at U.S. military installations.

## **Cooperation on Missile Defense**

A U.S.-Japan program of cooperative research and development of anti-ballistic missiles began in 1999. The decision to acquire the ground-based U.S. Patriot Advanced Capability-3 (PAC-3) system and the ship-based U.S. Standard Missile-3 system was justified largely on the basis of North Korea’s missile program. In December 2005, Japan’s Defense Agency agreed that Japan will pay over \$1 billion for the project over nine years. Following North Korean missile tests in July 2006, officials announced that the deployment of the PAC-3 system to Okinawa would accelerate. In December 2007, a Japanese destroyer successfully intercepted a missile in a test exercise near Hawaii. Japan mobilized its land and sea-based missile defense systems for the first time in response to North Korean missile tests in April 2009.

Figure 2. Map of Military Facilities in Japan



Source: Map Resources. Adapted by CRS.

## Economic Issues<sup>5</sup>

Trade and other economic ties with Japan remain highly important to U.S. national interests and, therefore, to the U.S. Congress.<sup>6</sup> By the most conventional method of measurement, the United States and Japan are the world's two largest economies,<sup>7</sup> accounting for around 40% of world gross domestic product (GDP), and their mutual relationship not only has an impact on each other but on the world as a whole. Furthermore, their economies are intertwined by merchandise trade, trade in services, and foreign investments.

<sup>5</sup> This section was written by William Cooper.

<sup>6</sup> For a more complete treatment of U.S.-Japan economic ties, see CRS Report RL32649, *U.S.-Japan Economic Relations: Significance, Prospects, and Policy Options*, by William H. Cooper.

<sup>7</sup> China's economy is now larger than Japan's by another method of measurement: purchasing power parity.

## Overview of the Bilateral Economic Relationship

Although Japan remains important economically to the United States, its importance has slid as it has been edged out by other trade partners. Japan is the United States's fourth-largest merchandise export market (behind Canada, Mexico, and China) and the fourth-largest source for U.S. merchandise imports (behind Canada, Mexico, and China) the end of 2008. These numbers probably underestimate the importance of the United States to Japan's trade since a significant portion of Japanese exports to China are used as inputs to China's exports to the United States and therefore are dependent on U.S. demand for China's exports.

At one time Japan was the largest source of foreign direct investment in the United States, but by 2006 had fallen behind the United Kingdom. It was the eighth-largest target for U.S. foreign direct investment abroad as of the end of 2007. The United States remains Japan's largest export market and second-largest source of imports as of the end of 2008. The U.S. bilateral trade deficit with Japan reached a record \$88.4 billion in 2006. In 2007, U.S. exports rose slightly, and imports declined; thus, the U.S. trade deficit with Japan decreased to \$82.8 billion and to \$72.3 billion in 2008. (See **Table 1.**)

**Table 1. U.S. Trade with Japan, Selected Years**  
(\$ billions)

Year	Exports	Imports	Balances
1995	64.3	123.5	-59.1
2000	65.3	146.6	-81.3
2003	52.1	118.0	-66.0
2004	54.4	129.6	-75.2
2005	55.4	138.1	-82.7
2006	59.6	148.1	-88.4
2007	62.7	145.5	-82.8
2008	66.6	139.2	-72.3

**Source:** U.S. Commerce Department, Census Bureau. FT900. Exports are total exports valued on a free alongside ship (f.a.s.) basis. Imports are general imports valued on a customs basis.

Despite some outstanding issues, tensions in the U.S.-Japan bilateral economic relationship have been much lower than was the case in the 1970s, 1980s, and early 1990s. A number of factors may be contributing to this trend: Japan's economic problems in the 1990s and in the first few years of this decade changed the general U.S. perception of Japan as an economic "threat" to one of a country with problems; the rise of China as an economic power has caused U.S. policymakers to shift attention from Japan to China as a source of concern; the increased use by both Japan and the United States of the WTO as a forum for resolving trade disputes has depoliticized disputes and helped to reduce friction; and the emphasis in the bilateral relationship has shifted from economic to security matters.

However, the economic problems in Japan and United States associated with the credit crisis (both countries are now in recessions) and how the two countries deal with those problems will likely dominate their bilateral economic agenda for the foreseeable future. In 2008, Japan's economy contracted 0.7%, declining 3.8% alone in the final quarter of 2008. The contraction has

accelerated in 2009, as Japan's gross domestic product (GDP) declined 4.0% in the first quarter. Japan is experiencing its steepest recession since the end of World War II. Japan is also experiencing its highest unemployment rate in three years. This trend will likely curtail Japanese demand for imports. In addition, the value of the yen has hit 13-year highs in terms of the U.S. dollar, which will adversely affect Japanese exports to the United States and other countries, contributing to the downturn in Japanese economic growth. (As of July 24, 2009, the exchange rate was \$1=¥ 94.86.) The United States is the midst of a recession that will also likely affect trade flows in both directions.

## **Bilateral Trade Issues**

### **Japan's Ban on U.S. Beef<sup>8</sup>**

In December 2003, Japan imposed a ban on imported U.S. beef in response to the discovery of the first U.S. case of bovine spongiform encephalopathy (BSE or "mad cow disease") in Washington state. In the months before the diagnosis in the United States, nearly a dozen Japanese cows infected with BSE had been discovered, creating a scandal over the Agricultural Ministry's handling of the issue (several more Japanese BSE cases have since emerged). Japan had retained the ban despite ongoing negotiations and public pressure from Bush Administration officials, a reported framework agreement (issued jointly by both governments) in October 2004 to end it, and periodic assurances afterward by Japanese officials to their U.S. counterparts that it would be lifted soon.

In December 2005 Japan lifted the ban after many months of bilateral negotiations but reimposed it in January 2006 after Japanese government inspectors found bone material among the first beef shipments to have arrived from the United States after the ban was lifted. The presence of the bone material violated the procedures U.S. and Japanese officials had agreed upon that allowed the resumption of the U.S. beef shipments in the first place. The then-U.S. Secretary of Agriculture Johanns expressed regret that the prohibited material had entered the shipments.

In July 2006, Japan announced it would resume imports of U.S. beef from cattle 20 months old or younger. While praising the decision, some officials have called on Japan to broaden the procedures to include beef from older cattle. The first shipments arrived in August 2006. Members of Congress have pressed Japan to lift restrictions on imports of U.S. beef further. On May 27, 2009, the Japan Ministry of Health, Labor, and Welfare and the Ministry of Agriculture, Forestry, and Fisheries reportedly were ready to ask the Food Safety Commission to determine whether it would relax restrictions and allow U.S. beef from cattle younger than 30 months to enter Japan, a decision that could take about six months to be rendered.<sup>9</sup>

### **U.S.-Japan FTA**

With the conclusion of negotiations on a U.S.-South Korean free trade agreement (KORUS FTA) on April 1, 2007, and the formation of FTAs among other East Asian countries, interest seems to have increased in the possibility of a U.S.-Japan FTA. Japanese business leaders are concerned

---

<sup>8</sup> For more information, see CRS Report RS21709, *Mad Cow Disease and U.S. Beef Trade*, by Charles E. Hanrahan and Geoffrey S. Becker.

<sup>9</sup> *International Trade Daily*. May 28, 2009.

about being adversely affected by the trade preferences that South Korean exporters would gain under the proposed KORUS FTA. In May 2007, a Japanese government advisory panel recommended that Japan undertake the formation of an economic partnership agreement (EPA), Japan's version of an FTA, with the United States. During their late April 2007 summit meeting, President Bush and Prime Minister Abe touched on the issue. According to a White House fact sheet, they agreed to exchange information about one another's FTAs and EPAs with third countries. However, in a October 2, 2008 speech, Assistant USTR stated that she did not believe a U.S.-Japan FTA would occur in the near term primarily because of the stumbling block that would result over the issue of agricultural policy.<sup>10</sup> The DPJ's 2009 election manifesto calls for the negotiation of a U.S.-Japan FTA.

## **Insurance**

Market access in Japan for U.S. and other foreign insurance providers has been the subject of bilateral trade agreements and discussion for some time. Current U.S. concerns center around making sure that Japan adheres to its agreements with the United States, especially as Japan's domestic insurance industry and government regulations of the industry are restructured. Specifically, American firms have complained that little public information is available on insurance regulations, how those regulations are developed, and how to get approval for doing business in Japan. They also assert that government regulations favor insurance companies that are tied to business conglomerates—the keiretsu—making it difficult for foreign companies to enter the market.

The United States and Japan concluded agreements in 1994 and 1996 on access to the Japanese market for U.S. providers of life and non-life insurance and also on maintaining competitive conditions for foreign providers in the specialty insurance market—cancer insurance, hospitalization, nursing care, and personal accident insurance. U.S. and Japanese officials continue to meet under those two agreements, and U.S. providers have been able to expand their presence in Japan under them, according to the Office of the U.S. Trade Representative (USTR).

However, the United States has raised concerns about Kampo, the government-owned insurance company under the Japan Postal Service, which offers insurance services that directly compete with U.S. and other privately owned providers. The United States has also raised questions about the activities of regulated and unregulated insurance cooperatives, *kyosai*, claiming that these entities do not have to adhere to the same regulations that bind traditional private insurance companies, creating an unfair competitive advantage. A Japanese government privatization framework released in July 2006 generated statements from the American Chamber of Commerce in Japan and from the American Council of Insurers arguing that the privatization plan would allow Kampo to compete with foreign insurance providers by offering new products before it has been completely privatized. On October 1, 2007, the Japanese government began the privatization, a process that is expected to last ten years. U.S. industry and U.S. policymakers have indicated they will continue to monitor the privatization to make sure U.S. service providers are not placed at a competitive disadvantage in the Japanese market.

---

<sup>10</sup> *International Trade Reporter*. October 16, 2008.

## **The Byrd Amendment**

Japan, together with other major trading partners, challenged U.S. trade laws and actions in the World Trade Organization (WTO). For example, Japan and others challenged the so-called Byrd Amendment (which allows revenues from countervailing duty and antidumping orders to be distributed to those who had been injured). The WTO ruled in Japan's favor. In November 2004, the WTO authorized Japan and the other complainant-countries to impose sanctions against the United States. In September 2005, Japan imposed 15% tariffs on selected imports of U.S. steel products as retaliation, joining the EU and Canada. It is the first time that Japan had imposed punitive tariffs on U.S. products. In the meantime, a repeal of the Byrd Amendment was included in the conference report for S. 1932, the Deficit Reduction Act of 2005, that was signed by the President into law (P.L. 109-171) on February 8, 2006. The measure phases out the program over a period ending October 1, 2007.<sup>11</sup> Although Japan has praised the repeal of the Byrd Amendment, it criticized the delayed termination of the program and has maintained the sanctions on imports from the United States. Consequently, Japan announced in August 2006 that it would maintain the tariff sanctions until October 1, 2007. In August 2007, Japan notified the WTO that it would extend the sanctions for another year and did so again in August 2008.

## **WTO Dispute**

On January 10, 2008, Japan requested permission from the WTO to impose sanctions on U.S. imports valued at around \$250 million in retaliation for the failure of the United States to comply with a WTO Appellate Body decision against the U.S. practice of "zeroing" in antidumping duty determinations. On April 21, 2008, the WTO agreed to establish a dispute panel to hear the case and the panel was expected to issue its determination within 90 days.<sup>12</sup> However, on August 4, 2008, the WTO panel announced that a final ruling would not be issued until sometime in 2009.<sup>13</sup> On July 20, the WTO Appellate Body announced that it would render a decision on August 18, 2009.<sup>14</sup> The practice is one under which the U.S. Department of Commerce treats prices of targeted imports that are above fair market value as zero dumping margin rather than a negative margin. It results in higher overall dumping margins and U.S. trading partners have claimed and the WTO has ruled that the practice violates WTO rules.<sup>15</sup>

## **The Doha Development Agenda**

Japan and the United States are major supporters of the Doha Development Agenda (DDA), the latest round of negotiations in the WTO. Yet, the two have taken divergent positions in some critical areas of the agenda. For example, the United States, Australia, and other major agricultural exporting countries have pressed for the reduction or removal of barriers to agricultural imports and subsidies of agricultural production, a position strongly resisted by Japan and the European Union. At the same time, Japan and others have argued that national

---

<sup>11</sup>For more information on the Byrd Amendment, see CRS Report RL33045, *The Continued Dumping and Subsidy Offset Act ("Byrd Amendment")*, by Jeanne J. Grimmett and Vivian C. Jones.

<sup>12</sup> *International Trade Daily*. April 21, 2008.

<sup>13</sup> *International Trade Reporter*. August 7, 2008.

<sup>14</sup> *International Trade Reporter*. July 23, 2009.

<sup>15</sup> *International Trade Reporter*. January 17, 2008.

antidumping laws and actions that member countries have taken should be examined during the DDA, with the possibility of changing them, a position that the United States has opposed.

In July 2006, WTO Director-General Pascal Lamy suspended the negotiations because, among other reasons, the major participants could not agree on the modalities that negotiators would use to determine how much they would liberalize their agricultural markets and reduce agricultural subsidies. Negotiators had been meeting from time to time to try to resuscitate the talks. However, Lamy's attempt to hold a ministerial meeting in December 2008 failed when the major parties to the negotiations could not resolve their differences over establishing modalities in agricultural and non-agricultural negotiations. Various groups of WTO members have been meeting to try to establish a foundation for completing the negotiations without success to date.

## **Japanese Politics<sup>16</sup>**

Japan's political world is fixated around the coming national elections for Japan's Lower House of Parliament. As of late July, polls give the opposition Democratic Party of Japan (DPJ) a significant lead over the ruling Liberal Democratic Party and its coalition partner. A victory by the left-of-center DPJ would amount to a political earthquake in Japan, which except for a 10-month period in the 1990s has been ruled by the conservative LDP since 1955. While most members of the DPJ are broadly supportive of the U.S.-Japan alliance and the general thrust of Japanese foreign policy, several features of the alliance may come under greater questioning if the DPJ won the Lower House.

### **Background—The Structural Debilities of Japan's Political System**

In general, Japan's political peculiarities both constrain and enhance U.S. influence over Japanese policy. Compared to most industrialized democracies, the Japanese parliament is structurally weak, as is the office of the prime minister and his cabinet. Though former Prime Minister Koizumi (who served from 2001 to 2006) and his immediate predecessors increased politicians' influence relative to Japan's bureaucrats, with important exceptions Japan's policymaking process tends to be compartmentalized and bureaucratized, making it difficult to make trade-offs among competing constituencies on divisive issues. The result is often paralysis or incremental changes at the margins of policy, particularly during periods of weak premierships such as the one Japan has experienced for the past two to three years. The DPJ hopes to transform the process of Japanese policymaking by, among other steps, centralizing authority in the Prime Minister's Office and increasing the authority of Japan's politicians over its bureaucrats.

### **The Situation Prior to the August 30, 2009 Election**

#### **Political Turmoil Continues as Elections Are Scheduled**

For months, Japanese policymaking has been complicated—and in some cases, stalled—by divided government and a succession of weak LDP prime ministers. The Japanese Diet has been divided since July 2007, when the DPJ won national elections for the Upper House, the less

---

<sup>16</sup> This section was written by Mark Manyin and Emma Chanlett-Avery.

powerful of Japan's two parliamentary chambers. In an attempt to force early elections for the Lower House, the DPJ has erected procedural obstacles to block or delay parts of the LDP's agenda, leading to the resignation of two LDP prime ministers since September 2007. Current Prime Minister Taro Aso has been a highly unpopular premier for much of his tenure, a situation analysts ascribe to the many missteps and misstatements by Aso and his Cabinet, as well as to the legislative impasse he inherited. Aso's disapproval ratings generally have been well over the 50% mark, and according to several polls taken in mid-July, shortly after he had dissolved parliament, his approval ratings were hovering around 20%.

Earlier in the spring of 2009, Aso and the LDP had benefited from the government's unveiling of three economic stimulus packages cumulatively worth around 5% of Japan's annual GDP and, more importantly, from a fundraising scandal surrounding former DPJ leader Ichiro Ozawa. In early May, Ozawa resigned. He was succeeded as DPJ president by former party leader Yukio Hatoyama, an Ozawa backer and co-founder of the party. Ozawa remains as a DPJ Deputy President, leaving many to speculate that he will continue to wield considerable, and perhaps determinative, influence in DPJ decision-making. Ozawa's resignation has been followed by a considerable popular boost for the DPJ.

## **The Democratic Party of Japan (DPJ)**

The DPJ was formed in 1998 as a merger of four smaller parties and was later joined by a fifth grouping. The amalgamated nature of the DPJ has led to considerable internal contradictions, primarily between the party's hawkish/conservative and passivist/liberal wings. In particular, the issues of deploying Japanese troops abroad and revising the war-renouncing Article 9 of the Japanese constitution have generated considerable internal debate in the DPJ. However, the DPJ has generally agreed that Japan needs to become more of an equal partner in the U.S.-Japan alliance. Specifically, the party has:

- opposed the February 2009 U.S.-Japan Guam accord, an important provision of the U.S. Forces Japan realignment plan to transfer 8,000 U.S. Marines from Okinawa to Guam. The DPJ opposes the associated relocation of U.S. Marine Corps Air Station Futenma to Nago. In April 2009, the DPJ-led Upper House voted against the accord.
- opposed the SDF deployment to the Indian Ocean to refuel allied ships involved in Operation Enduring Freedom in Afghanistan. Some in the DPJ support the dispatch of civilian and/or noncombat troops to the Afghanistan theater.
- said it would seek to reduce host nation support for U.S. forces stationed in Japan.
- proposed revisions to the U.S.-Japan Status of Forces Agreement (SOFA) in order to make the alliance more "equal."

It is not clear how much DPJ stances to these initiatives were tactically driven to create obstacles for the LDP, or how some DPJ positions might soften if it became the ruling party. Indeed, throughout July 2009, the party moderated and softened some of the more contentious positions it had previously taken on security issues. For instance, in its election manifesto, the DPJ dropped any reference to Japan's Indian Ocean deployment, which the party's previous manifestos had opposed.



Security is not expected to feature prominently in the upcoming elections. Instead, it is assumed that economic and social security issues will be emphasized. The DPJ's 2009 manifesto mentions "five pledges" for reform. All are domestic issues. On these matters, DPJ members appear to be highly unified. The party is expected to run the same populist platform that it rode to success under Ozawa's tenure: providing income support to farmers and fishermen; abolishing certain provisional taxes; and reforming the national pension and healthcare systems. It would offset the more than 18 trillion yen (over \$160 billion) in revenue shortfalls by eliminating or trimming what the DPJ has called "wasteful" government programs that are funded through various "special accounts." The DPJ also has outlined measures to reduce bureaucrats' influence over politicians.

## **Possible Election Scenarios**

There are a number of possible outcomes from the August 30 elections. One possibility is continued paralysis, particularly in the increasingly unlikely event the LDP wins the Lower House elections but loses its two-thirds majority (a two-thirds majority in the Lower House is needed to override an Upper House vote). A DPJ landslide victory, while signifying the emergence of a true two-party system in Japan, could usher in a period of fundamental adjustment to policies that have remained static for decades under the LDP. Many observers believe it is more likely that the DPJ will win a plurality, forcing it to either rely upon alliances with other, smaller parties or to form a "Grand Coalition" with the LDP. A fourth scenario is political realignment, in which members of either party defect to the other and/or form a new majority. Many observers predict that it will take multiple election cycles to produce a decisive victory for any political grouping. If true, then Japan is likely to experience months if not years of weak premierships. The next national elections are scheduled to be held in 2010, for half of the Upper House's members.

## **Constitutional Revision**

Japan's constitution was drafted in 1946 by the U.S. Occupation authorities, who then imposed it on a reluctant Japanese legislature. Since the early 1990s, previously strong public opposition to revising the constitution has gradually weakened and public opinion polls now show widespread support for some sort of revision. In October 2005, the LDP released its long-awaited draft revision of the Japanese constitution. The most notable changes reduce many—though not all—of the provisions in the war-renouncing clause (Article 9) that set limits on Japan's military activities. After renouncing war and the "threat or use of force as a means of settling international disputes," the proposed revision explicitly states that Japan "shall maintain armed forces for self-defense" that operate under the prime minister and are subject to the Diet's approval and direction. The explicit mention of a military force is designed to rectify the disconnect between the current constitution—which says that "land, sea, and air forces, as well as other war potential, will never be maintained"—and the reality that Japan possesses a Self Defense Force. More importantly, the LDP's draft appears to allow Japan to participate in collective security arrangements by stating that the armed forces "may act in international cooperation to ensure the international community's peace and security."

Both the LDP and the DPJ are split—with the DPJ's internal divisions much deeper—between relatively hawkish and pacifist wings that appear to be sparring over the question of whether or not conditions (such as United Nations backing) should be attached to the right to join collective security arrangements. In other words, the issue is not whether, but how, Article 9 should be

revised, a development that is due in part to increased concerns about North Korea and China. In March 2005, Japan's House of Representatives Research Commission on the Constitution, composed of representatives from various parties, released a report indicating that over two-thirds of members generally favor constitutional provisions allowing Japan to join U.N. collective security arrangements, stipulating the Self-Defense Forces' existence, and maintaining some portion of the war-renouncing clause of Article 9. A wide majority of the commission also favored allowing women to serve as emperor, establishing stronger privacy and environmental rights, creating a constitutional court, and revising Japan's federalist system.

Constitutional amendments must be approved by two-thirds of each chamber of the Diet, after which they are to be "submitted to the people" for majority approval. In May 2007, after over a year of debate, the Diet passed legislation detailing how a national constitutional referendum would be conducted. However, the bill was passed without any significant DPJ support. Indeed, the LDP-led coalition and the DPJ proposed separate referendum bills, dampening hopes for the two camps to cooperate on constitutional revision. Notably, according to the timetable outlined in the bill that passed, the soonest that a national referendum could be held would be three years after a referendum law is passed, i.e. 2010. Momentum behind constitutional revision was sapped by the LDP's loss in the July 2007 Upper House elections; many felt then LDP Prime Minister Shinzo Abe paid a political price for prioritizing constitutional and security reforms over the economic issues that were foremost in most voters' minds.

## Japan's Demographic Challenge

Japan's combination of a low birth rate, strict immigration practices, and a rapidly aging population present policymakers with a significant challenge. Polls suggest that Japanese women are avoiding marriage and child-bearing because of the difficulty of combining career and family in Japan; the birthrate has fallen to 1.25, far below the 2.1 rate necessary to sustain a population size. Japan's current population of 128 million is projected to fall to about 100 million by mid-century. Concerns about a huge shortfall in the labor force have grown, particularly as the elderly demand more care. Japan's National Institute of Population and Social Security Research projects that the working-age population will fall from 85 million in 2005 to 70 million by 2030. Japan's immigration policies have traditionally been strictly limited, but policy adjustments have allowed for a larger foreign labor force. More 68,000 foreign workers came to Japan in 2006 under a government-sponsored training program, in addition to 80,000 on an extended program.<sup>17</sup> With government encouragement, some private firms offer incentives to employees with children.

## Selected Legislation

### 111<sup>th</sup> Congress

**H.R. 44 (Bordallo).** Seeks recognition of the loyalty and suffering of the residents of Guam who suffered unspeakable harm as a result of the occupation of Guam by Imperial Japanese military forces during World War II, by being subjected to death, rape, severe personal injury, personal injury, forced labor, forced march, or internment, as well as payments for death, personal injury,

---

<sup>17</sup> "Foreign Labor Works for Japan," *Wall Street Journal Asia*. May 25, 2007.

forced labor, forced march, and internment. Referred to Senate Committee on the Judiciary on March 5, 2009.

**H.R. 423 (Mica).** Seeks to provide compensation for certain World War II veterans who survived the Bataan Death March and were held as prisoners of war by the Japanese. Referred to House Subcommittee on Military Personnel on February 6, 2009.

**H.R. 2055 (Thompson) and S. 817 (Cantwell).** The Pacific Salmon Stronghold Conservation Act of 2009. Among other items, authorizes the sharing of status and trends data, innovative conservation strategies, conservation planning methodologies, and other information with North Pacific countries, including Japan, to promote salmon conservation and habitat. In April 2009, the House bill was referred to House Natural Resources Committee's Subcommittee on Insular Affairs, Oceans and Wildlife, which held a hearing on the bill on June 16, 2009. The Senate bill was referred to the Senate Committee on Commerce, Science, and Transportation in April 2009.

**H.R. 2647 (Skelton) and S. 1390 (Levin).** The National Defense Authorization Act for FY2010. On July 21, 2009, the Senate passed (58-40, Record Vote Number: 235) an amendment (S.Amdt. 1469) to S. 1390, the FY2010 National Defense Authorization Act, that eliminates funding for additional F-22 aircraft production. H.R. 2647 allocates \$369 million for additional F-22 parts. Separately, Section 1237 of H.R. 2647 requires the Secretary of Defense to report to Congress on the potential for foreign military sales of the F-22A fighter aircraft to the Government of Japan. Section 2833 of H.R. 2647 would require construction firms that get contracts for projects associated with the expansion of U.S. military facilities on Guam to pay their workers wages consistent with the labor rates in Hawaii.

The House passed H.R. 2647 on June 25, 2009 by a vote of 389-22, 1 Present (Roll no. 460). The Senate passed S. 1390 on July 23, 2009, by a vote of 87-7 (Record Vote Number: 242).

## **110<sup>th</sup> Congress**

**H.R. 6497 (Hooley).** Requires the payment of compensation to members of the Armed Forces and civilian employees of the United States who were forced to perform slave labor by the Imperial Government of Japan or by corporations of Japan during World War II, or the surviving spouses of such members, and for other purposes. Referred to the Committee on Armed Services on July 15, 2008, and in addition to the Committees on the Judiciary, and Ways and Means, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

**S. 3107 (Bingaman).** Requires the payment of compensation to members of the Armed Forces and civilian employees of the United States who were forced to perform slave labor by the Imperial Government of Japan or by corporations of Japan during World War II, or the surviving spouses of such members, and for other purposes. Referred to the Committee on Finance on June 10, 2008.

**H.R. 2886 (Knollenberg).** To address the exchange-rate misalignment of the Japanese yen with respect to the United States dollar, and for other purposes. Referred to the Committee on Ways and Means on June 27, 2008, and in addition to the Committee on Financial Services, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

**H.R. 1570 (Mica).** Provides compensation for certain World War II veterans who survived the Bataan Death March and were held as prisoners of war by the Japanese. Referred to House Committee on Armed Services on March 19, 2007.

**H.R. 3650 (Ros-Lehtinen).** Provides for the continuation of restrictions against the government of North Korea unless the President certifies to Congress that the government of North Korea has met certain benchmarks, including releasing the 15 Japanese nationals recognized as abduction victims by the National Police Agency (NPA) of Japan. Referred to the House Committee on Foreign Affairs on September 25, 2007.

**H.Res. 121 (Honda).** Expresses the sense of the House of Representatives that the Government of Japan should formally acknowledge, apologize, and accept historical responsibility in a clear and unequivocal manner for its Imperial Armed Force's coercion of young women into sexual slavery, known to the world as "comfort women," during its colonial and wartime occupation of Asia and the Pacific Islands from the 1930s through the duration of World War II. Referred to the House Committee on Foreign Affairs on January 31, 2007.

**H.Res. 508 (Saxton).** Recognizes the strong security alliance between the government of Japan and the United States and expresses appreciation to Japan for its role in enhancing stability in the Asia-Pacific region and its efforts in the global war against terrorism. Passed/agreed to in House on September 5, 2007.

**S. 1021 (Stabenow).** Addresses the exchange-rate misalignment of the Japanese yen with respect to the United States dollar, and for other purposes. Referred to Senate Committee on Finance on March 28, 2007.

**S. 1686, Sec. 6 (Landrieu).** Establishes a United States-Japan Inter-parliamentary Group to meet once per Congress with representatives of the Diet of Japan for discussion of common problems in the interest of relations between the United States and Japan. Placed on Senate Legislative Calendar under General Orders on June 25, 2007.

**S.Res. 399 (Brownback).** Expresses the sense of the Senate that certain benchmarks must be met before certain restrictions against the government of North Korea are lifted, including that the government of North Korea has released or fully accounted to the satisfaction of the government of the United States and the government of the Republic of Korea for the whereabouts of the 15 Japanese nationals recognized as abduction victims by the National Police Agency (NPA) of Japan. Referred to the Committee on Foreign Relations on December 10, 2007.

## **Author Contact Information**

Emma Chanlett-Avery, Coordinator  
Specialist in Asian Affairs  
echanlettavery@crs.loc.gov, 7-7748

William H. Cooper  
Specialist in International Trade and Finance  
wcooper@crs.loc.gov, 7-7749

Mark E. Manyin  
Specialist in Asian Affairs  
mmanyin@crs.loc.gov, 7-7653

Weston S. Konishi  
Analyst in Asian Affairs  
wkonishi@crs.loc.gov, 7-7525